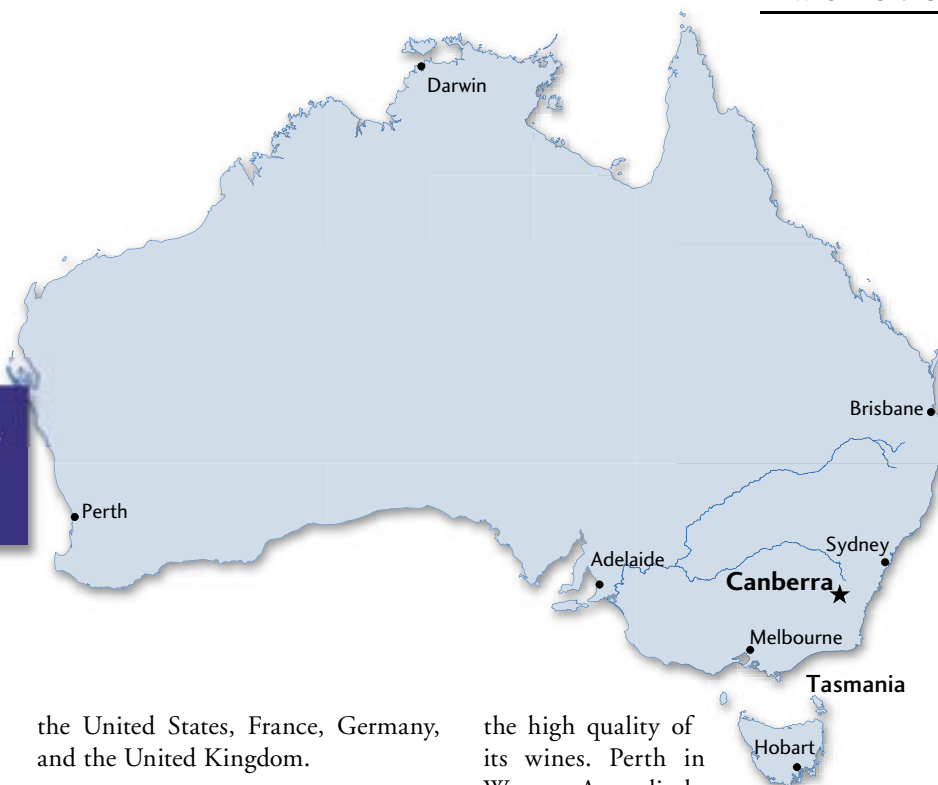


# Australia

by Jim McCarthy

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Australia is the world's 14th-largest economy by GDP, according to the Economist Intelligence Unit. Despite the regional economic turmoil of the late 1990s and the more recent downturn in the U.S. economy, Australia has enjoyed an unprecedented period of economic growth over the last decade. The recent drought notwithstanding, the Reserve Bank of Australia predicts that the Australian economy will continue to grow on the strength of sustained consumer spending and housing construction. Most economic forecasts call for GDP growth in 2003 of more than 3 percent, putting Australia near the top of all OECD countries. However, as with most growth rates, this will depend on the overall health of the world economy. Unemployment has risen in recent months to 6 percent but is still near historic lows. Inflation is likely to stay between 2.5 and 3 percent this year.

Australia's financial stability was recently underscored when Standard and Poor's raised the country's international credit rating from "AA+" to "AAA," its highest financial rating in 17 years. The financial rating company cited the strong banking sector, the federal budget, and a healthy foreign exchange market as reasons for the upgrade. Only 16 other countries have garnered an "AAA" rating, including

the United States, France, Germany, and the United Kingdom.

The country's stability is not limited just to its finances. A number of studies have rated Australia as one of the safest and securest places in the world to do business in economic, political, and social terms.

When it comes to Australia, most Americans are familiar with Sydney, Melbourne, and perhaps natural formations such as the Great Barrier Reef and Ayers Rock, also known as Uluru. Sydney, which is in the state of New South Wales, achieved prominence with its near flawless organization and hosting of the 2000 Summer Olympic Games, but its stature continues as a regional financial and business services center. Many U.S. firms are located in Melbourne, as it is a key manufacturing base.

Still, Australia's economic activity is not limited to the major metropolitan areas of Sydney (approximately 4 million) and Melbourne (about 3.5 million). Brisbane in Queensland is one of the country's fastest-growing cities. Many southern city dwellers have moved to Brisbane, attracted by the lifestyle and affluence of the area as well as the thriving cultural community. Adelaide in South Australia is known for its automotive manufacturing and, with nearby Barrosa Valley,

the high quality of its wines. Perth in Western Australia has the country's highest state economic growth, with recent discoveries of oil and natural gas on land and offshore. Perth is a mere four-hour flight from Singapore, which puts it closer than Sydney to Southeast Asia and illustrates the vast territory of Australia.

## STRONG U.S.-AUSTRALIAN TRADE TIES

U.S.-Australian trade ties are among the strongest in the world. The Australian market is extremely sophisticated and boasts an excellent communications and transportation infrastructure. Through a common language and shared business values, American companies often feel quite at home in Australia.

Despite its distance from the United States and relatively small population of 19 million people, Australia is the 13th-largest market for U.S. goods, totaling just over \$13 billion in 2002. The United States is the largest investor in Australia across a wide range of industries, including consumer goods, automobiles, mining, oil and natural gas production, financial services, and information technology. Similarly, the United States is the largest recipient of Australian investment overseas. Further investment could be accelerated

by the adoption of the Australian-U.S. agreement on double taxation, which was negotiated in 2001 and should be approved in 2003.

Import duties are minimal. Since the early 1970s, average tariff levels have declined to the point at which 86 percent of Australia's tariffs are between zero and 5 percent. The average most-favored nation rate for industrial products is 4.7 percent. Australia's highest tariffs apply to apparels and certain finished textiles, passenger motor vehicles and components, and footwear.

The United States enjoys a trade surplus with Australia (\$6.6 billion in 2002), second worldwide only to the Netherlands. Although the surplus declined in 2001 due largely to a strong U.S. dollar and the aftereffects of the events of September 11, 2001, it bounced back in 2002 to \$6 billion. Coincidentally, so did the Australian dollar, which gained in value from a low of over A\$2.00 to the U.S. dollar in 2000 to its current level of close to A\$1.69.

The following sectors offer good prospects for U.S. exports:

- Information and communications technology
- Military and aerospace
- Safety and security
- Medical equipment and health care
- Environmental technologies
- Energy and mining production.

#### TOURISM

Travel and tourism also represent important market opportunities for American companies. Australia has risen to the eighth-largest market in the world for visitors to the United States. Australians stay longer (more than three weeks on average) and spend more in time and money than most international visitors to the United States. Qantas and Virgin Blue, the principal airlines serving Australia, have added Boeing 747-400s for regional and U.S. travel.

#### TRANSPORTATION INFRASTRUCTURE

Australia's transportation infrastructure encompasses 280 licensed airports, including nine international gateways in Sydney, Melbourne, Brisbane, Perth, and Cairns. Two-thirds of interstate cargo is carried on 500,000 miles of paved roads. Railroads cover another 24,000 miles and will soon see the long-awaited establishment of a link between Darwin and Adelaide. Australia also boasts a strong lineup of ports in Sydney, Newcastle, Melbourne, Brisbane, Adelaide, and Fremantle.

#### INFORMATION AND COMMUNICATIONS TECHNOLOGY

Australian citizens are savvy users of information and communications technologies. Approximately two-thirds of Australian households own or lease a computer. A recent Nielsen survey cited Australia as one of the most mature Internet markets in the world. It is the eighth-largest Internet market in the world (10.5 million users), with one of the highest penetration rates (72 percent). Last year, the Economist Intelligence Unit rated Australia sixth in the world and first in the region in "e-readiness," an indicator of the ability of businesses to conduct e-commerce. Although broadband has yet to play the same kind of role in Australia that it has in the United States, demand for broadband services soared last year

in both the business and residential sectors, and investment in additional broadband network and services could reach \$500 million by 2005–2006. One million broadband customers are possible by the end of 2005.

#### BIOTECHNOLOGY

Biotechnology is an important sector for U.S. companies. Australia has an international reputation for multidisciplinary scientific advancement and early adoption of new technologies. The country is proud of its history and credits in areas such as the development of penicillin, the cochlear implant, treatment of sleep apnea, and the detection of cancerous cells by computer. Australia continues to be a leader in life science research, and the country's technological productivity is very high, with a per capita patent filing rate similar to that in the United States.

Due to these and other factors, nearly 1,000 U.S. companies are represented in Australia, and more than 300 have made Australia their Asian base for all or part of their operations. But the increasingly multicultural nature of Australian society is also playing a role. Although English is the language of business in Australia, one in five households use a language other than English. In order to adapt to the diverse nature of the growing immigrant community, call centers and other regional operations of multinational companies

#### AUSTRALIA: FACTS AND FIGURES

**Total area:** 7,686,850 square km (a little smaller than the 48 contiguous U.S. states)

**Population:** 19.7 million

**GDP:** \$465 billion (2003 forecast)

**GDP growth:** 3.7% (2003 forecast)

**Inflation:** 2.5% (2003 forecast)

**GDP by sector:** services 72%, industry 25%, agriculture 3%

**Main industries:** mining, industrial and transportation equipment,

food processing, chemicals, steel

**Currency:** Australian dollar

**Exports:** coal, gold, wheat, alumina, iron, ore, meat, machinery, transportation equipment

**Imports:** machinery, transportation equipment, computers, office machines, telecommunications equipment, crude oil, petroleum products

**Languages:** English, native tongues

Sources: CIA, EIU.

have developed in Australia to service many Asian countries.

The American Chamber of Commerce in Australia has one of the largest membership bases in the region. The Council of Great Lakes Governors recently established its Australasian base in Sydney, and a number of other states and cities have representative offices for trade or tourism.

#### **SIMILAR, BUT DIFFERENT**

In many ways, American companies feel quite at home when doing business in Australia. The similarities in language, culture, business practices, and customer expectations provide for an atmosphere in which transactions can be made more easily than elsewhere. As one local observer noted, "I believe the only other country Americans find as familiar and easy to work in is Canada."

Australians are quite knowledgeable and up-to-date about developments and trends in the United States. Many Australians have relatives and friends who live in the United States, or they have lived there themselves for extended periods. Australians are gracious and yet informal and direct in their business dealings. Australians often do business on a first-name basis, and business cards are exchanged in a manner that Americans would recognize.

Appointments are relatively easy to schedule at practically all organizational levels. Americans find that many Australian executives are pleasant, approachable, and willing to meet to discuss business. The best policy is to arrange an appointment one month in advance.

For the business traveler, the best time to visit is from March through November, since the tourist season lasts from December through February. Avoid scheduling visits around Christmas and Easter, since many executives will be on vacation during these periods.

#### **FREE TRADE AGREEMENT ON THE WAY**

On November 14, 2002, Australian Prime Minister John Howard and U.S. Trade Representative Robert Zoellick announced that negotiations would begin towards a free trade agreement between the two countries in 2003. Zoellick stressed that the United States would aim for a comprehensive agreement. In a letter to Congress, Zoellick said that the United States had "much to gain" in these negotiations, in that greater access to the Australian market "would further boost trade in both goods and services, enhancing employment opportunities in both countries." An Australian study indicated that a free trade agreement with the United States would boost Australian GDP by 0.4 percent, or about \$2 billion per year. U.S. GDP would also grow by about the same amount. The first round of free trade agreement talks commenced in March (see page 23).

#### **MAJOR UPCOMING EVENTS**

Following on the huge success in the organization of the 2000 Summer Olympic Games, Australia will serve as the host of several important conferences and sporting events, many of which include business-related activities, including:

- The Rotary World Convention, Brisbane, June 1-4, 2003, expected to draw 25,000-30,000 delegates.
- The Rugby World Cup, Sydney and other cities, October 10-November 22, 2003, the third-largest sporting event in the world, which is expected to attract 40,000 foreign visitors.

Other events covering best prospect industries are located in the trade event listing on page 26 and on [www.export.gov](http://www.export.gov).

Visitors to Australia for these or other events can maximize the business aspects of trips and enhance the chances of business success by contacting the Commercial Service in advance by e-mail ([sydney.office.box@mail.doc.gov](mailto:sydney.office.box@mail.doc.gov)) or phone (+61-2-9373-9205). ■

## **Australia and New Zealand**

### **ICE Expo**

May 2-4 2003, Auckland, New Zealand  
Internet, Computer, and Entertainment Expo (formerly Computerworld Expo) is the largest IT show in New Zealand.

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### **Fieldays**

June 11-14, 2003, Hamilton, New Zealand  
Fieldays is the largest agricultural show in the Southern Hemisphere. Showcasing the latest in agricultural products and services, Fieldays attracts 1,000 exhibitors and more than 115,000 visitors. This is New Zealand's premier agribusiness event. New releases, information, machinery demonstrations, technology, and innovation—it's all at the Fieldays show.

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### **Security 2003**

August 12-14, 2003, Sydney, Australia  
Security 2003 is the 17th annual conference and exhibition of the Australian Security Industry Association. This leading event attracts over 4,000 visitors, comprised of the Australian security industry's key decision-makers, suppliers and customers.

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### **Franchising Expo**

August 14-17, 2003, Auckland, New Zealand  
The Business and Franchising Expo offers a look into New Zealand and Australian franchise systems available in New Zealand.

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### **AIMEX**

September 9-12, 2003, Sydney, Australia  
AIMEX is one of the most prominent mining exhibitions on the international calendar. The U.S. Commercial Service is organizing a U.S. pavilion within the show.

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# Australian International Air Show

## High-flying Display of Technology

One of the landmark events on the Australian trade show calendar is the Australian International Air Show, held in February every two years at Avalon Airport, near Melbourne, Victoria.

Since its inception in 1992, the Avalon show has grown to be one of the most comprehensive shows of its kind the world. Coupled with the associated Aerospace Expo, the air show is recognized as a focal point for international aviation and aerospace technology. It has become a major showcase for aerospace marketing and related defense technology, business and commercial aviation, equipment and facilities, airlines, and general aviation services.

The show attracts more than 200,000 visitors, including 35,000 trade visitors from government, industry and defense, who visited the 500 exhibits from 30 countries at the Aerospace Expo.

The 2003 show commemorated the first century of aviation, celebrating the 100 years since Wilbur and Orville Wright made their first powered flight at Kitty Hawk, North Carolina, on December 17, 1903. A series of flying and immobile displays commemorated the history of flight and highlighted Australia's important role in the development of international aviation.

The United States, a leading supplier of aircraft and aviation equipment to

the Australian marketplace, is always a winner at the show. The area of the exhibition halls occupied by U.S. companies constitutes the largest overseas presence of the 190 foreign exhibitors and 21 countries represented. U.S. aircraft are a major draw for both trade and public visitors, both as standing displays and thrilling the crowd with spectacular aerial maneuvers.

The big names in the U.S. aerospace industry are all represented at the show, vying for civilian and military aviation business, seeking new opportunities to supply unmanned aerial vehicles, new generation fighter aircraft, land and sea-based helicopters, and space systems. Seven small and medium-sized U.S. companies visited the 2003 show as participants in the U.S. Commerce Department's

Aerospace Executive Service, organized by the Commercial Service's Aerospace and Defense Team and the Commercial Service in Australia. The company executives found time to enjoy the Aussie show while attending a busy series of meetings designed to lead to profitable export business. The consensus of the program participants was that not only was the 2003 show a great place to do business but that their corporate plans must include a visit in 2005! The show can be found at [www.airshow.net.au](http://www.airshow.net.au). ■



The Australian Roulettes perform precision aerobatic maneuvers at the Australian International Air Show and Aerospace Expo.

Photo courtesy of U.S. Commercial Service, Sydney.